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Construction of additional office facilities at the United Nations Office at Nairobi

Report of the Secretary-General

Summary

Pursuant to General Assembly resolution 66/247, in which the Assembly endorsed the conclusions and recommendations of the Advisory Committee on Administrative and Budgetary Questions (A/66/7/Add.3), the present report provides the outcomes of a post-completion review of the construction of the additional office facilities at the United Nations Office at Nairobi that was conducted to assess the implementation of the project, including a comparison between actual and forecast costs and benefits, an analysis of planned versus actual space utilization of the additional office facilities, a review of the assumptions formulated at the outset of the project and the adaptations made over the implementation period, and an assessment of the procedures used to ensure the successful completion of the project. It is intended to provide the Organization with useful lessons and input as it plans the expansion of office facilities at other duty stations in the context of current construction and renovation projects.

In addition, the report responds to the request to the Secretary-General by the Advisory Committee to provide the reasons that prevented some United Nations offices present in Nairobi from relocating to the United Nations Gigiri compound as envisaged.

* A/67/150.

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I. Completion of construction of additional office facilities at the United Nations Office at Nairobi

1. The construction of the new office facility at the United Nations Office at Nairobi began on 4 May 2009 with a scheduled substantial completion date in December 2010. The construction contract will be completed after the final payments are made in September 2012.

2. The construction of the facility concluded on time and substantial completion was achieved on 31 December 2010.

3. The United Nations Environment Programme (UNEP) and the United Nations Human Settlements Programme (UN-Habitat) moved into the new office facility between January and April 2011, before the sessions of the governing councils of both programmes, which were held in February and April 2011, respectively.

4. The formal inauguration of the new office facility took place on 31 March 2011 and was presided over by the Secretary-General and the President of Kenya.

5. Once UNEP and UN-Habitat had vacated their original offices, the United Nations Office at Nairobi began to reallocate those offices to other United Nations agencies, funds and programmes that had insufficient office space in the United Nations complex or were renting commercial office space outside the complex. The reallocation of those offices began in early 2011 and was completed by the end of the year.

II. Post-completion review

A. Cost review

6. The final project costs are summarized in table 1. A detailed financial breakdown including cash flows is provided in annex I to the present report. As shown in table 1, additional funds were required for construction costs and architects' fees as a result of currency fluctuations. Those increased requirements were offset by savings made on internal project supervision and management. A significant portion of the approved budget remains unspent ($1,289,663).

Table 1
Final project costs for the construction of new office facilities at the United Nations Office at Nairobi
(United States dollars)

Costs	*Estimates in first report (A/62/794)* (a)	*Estimates in second report (A/64/486)* (b)	*Estimates in third report (A/65/351)* (c)	*Estimates in previous report (A/66/336)* (d)	*Total cost* (e)	*Change compared with previous report* (e) - (d)
Construction costs	18 700 000	18 931 493	19 980 000	19 980 000	20 270 000	290 000
Architects' fees	1 977 000	1 977 000	1 976 792	2 086 792	2 176 792	90 000
Project supervision and management	1 423 000	1 423 000	1 423 363	1 423 363	1 296 053	(127 310)
Other costs						
Borrowing costs (interest incurred on loan from UNEP)	163 000	163 000	163 045	163 045	163 045	–
Security requirements	1 119 200	1 119 200	56 647	56 647	56 647	–
Contingency (10 per cent of building cost)	1 870 000	1 638 307	1 652 353	1 542 353	–	(1 542 353)
Total project cost estimate	**25 252 200**	**25 252 200**	**25 252 200**	**25 252 200**	**23 962 537**	**(1 289 663)**

7. The above represents the final cost of the project ($23,962,537), given that final payments will be made by September 2012. The new office facility has been completed at a cost that was $1,289,663 below the approved budget of $25,252,200. Of the approved contingency amount of $1,870,000, 69 per cent was unused.

8. Rental income in Nairobi over and above the final project cost will revert, in full, to income section 2 of the programme budget for the biennium 2012-2013 in keeping with the practice prior to the construction project and will be reported in the context of the second performance report for 2012-2013 (see A/66/6 (Income Sect. 2)).

B. Analysis of benefits

9. In its resolution 44/211, the General Assembly requested all organs, organizations and bodies of the United Nations system to make, without delay, the necessary arrangements, in cooperation with host Governments and without additional cost to developing countries, to establish common premises at the country level. In line with that resolution, in 2001, the Secretary-General identified a need for additional space if all United Nations offices located outside the United Nations complex in Nairobi were to be relocated within the complex, which then housed 27 regional, country and other offices of United Nations funds, programmes and agencies. Owing to the limited office space available at the complex, a further 44 United Nations offices were required to rent commercial office accommodations outside the complex. Accordingly, it was considered that new construction would be the most practical solution to overcome the office space shortage identified.

10. The full benefits of the project have now been realized. The United Nations Office at Nairobi confirmed the expanded office space requirements in 2008 for

existing tenants at the Gigiri complex, in addition to those of all other United Nations programmes, funds and agencies based outside the complex that sought to relocate to the complex but were unable to do so owing to the scarcity of office space. The General Assembly approved the construction project in 2009 to satisfy those requirements. As detailed in the following analysis of space utilization, although the space requirements of the planned tenants of the building have changed since 2009, the new office facility fully satisfied the space requirements of all programmes, funds and agencies in Nairobi at the time of occupancy in 2011.

C. Analysis of space utilization

11. The table in annex II to the present report lists the United Nations programmes, funds and agencies that originally showed interest in moving to the Gigiri complex. It also reflects those that have now moved into the complex, those that did not move into the complex and additional programmes, funds and agencies not originally included in the space forecast that subsequently requested space and have since moved into the complex. Table 2 provides a comparison of the current space allocation against the space allocation projected in the 2008 report of the Secretary-General (A/62/794), indicating the amount of office space actually allocated to existing and new United Nations programmes, funds and agencies.

Table 2
Comparison of projected and final space allocation
(Square metres)

United Nations programmes, funds and agencies	*Office space requirements projected in A/62/794 (2008)*	*Actual office space required (2012)*	*Change to office space requirements*	*Change to office space requirements (percentage)*
Existing tenants	33 027	34 234	1 207	104
New tenants (included in A/62/783)	10 237	5 214	(5 023)	51
New tenants (not included in A/62/783)		4 764	4 764	47
Total	**43 264**	**44 212**	**948**	**102**

12. In summary, the new office facility is now occupied at capacity. Of the space required, 102 per cent was provided and is being used.

13. Eight entities included in the original space projection prepared in 2008 moved to the compound in 2011, utilizing 5,214 m^2 of the 10,237 m^2 projected for new tenants (51 per cent). Although another 10 entities included in the original space projection did not move to the compound in 2011, 11 new entities not included in the original space projection did do so, utilizing an additional 4,764 m^2 of the 10,237 m^2 projected for new tenants (47 per cent). In aggregate, the new tenants were ultimately allocated 9,978 m^2, compared to the 10,237 m^2 projected (98 per cent). In addition, the total requirements of the existing tenants increased from the 33,027 m^2 projected to 34,234 m^2 (equivalent to 1,207 m^2, or 4 per cent, greater than the original projection). The additional 1,207 m^2 of space required by the existing tenants was partially covered by the underutilization of space by the new tenants (259 m^2) and the required balance of 948 m^2 of space was obtained through better utilization of existing space (optimization through an open-office configuration) and the conversion of some common areas to office space (such as 300 m^2 of space

behind conference rooms being converted to office space for the United Nations Dispute Tribunal).

14. Four of the eight entities that had shown interest in moving to the complex in 2008 (the African Management Services Company Regional Office for East Africa, the Department of Economic and Social Affairs, the Office for the Coordination of Humanitarian Affairs Sudan Office and the World Meteorological Organization Subregional Office for Eastern and Southern Africa) subsequently chose not to do so, without providing specific reasons.

15. The other four entities (the Office of the United Nations High Commissioner for Refugees (UNHCR) Somalia Branch Office, the United Nations Development Programme (UNDP) Somalia Office, the World Food Programme (WFP) Somalia Office, and the World Health Organization (WHO) Kenya Office, the WHO Somalia Office and the WHO Sudan Office) did not move to the complex. Both the UNDP Somalia Office and the WFP Somalia Office explained that the investments already made at their existing premises (including office facilities, security and telecommunication installations and logistics facilities) made it prohibitive to consider moving and, given their strategic intention to ultimately move parts of their operations to Somalia, relocation to the Gigiri complex was considered to be cost-ineffective. Although the WHO Kenya Office confirmed its interest in moving by the end of 2011, it subsequently informed the United Nations Office at Nairobi in early 2012 that its Regional Office for Africa would not allow the move owing to financial constraints being experienced by WHO. The WHO Somalia and Sudan offices reported a need to seek other premises owing to information technology system incompatibility and the costs involved in moving. UNHCR confirmed that it had identified a suitable building to accommodate its Kenya Branch Office, and in the light of that development, the Somalia Branch Office chose to remain in its current premises in close proximity to the Kenya Branch Office.

16. Of the 11 new tenants not included in the original space projection, most were new offices established in Kenya subsequent to the space projection presented in the 2008 report of the Secretary-General, including the Monitoring Group on Somalia and Eritrea, the Office of the Ombudsman, the United Nations Dispute Tribunal, the United Nations Support Office for the African Union Mission in Somalia and the WFP Regional Bureau for East, Central and Southern Africa. The other new tenants with established offices in Kenya in 2008 had not planned to move to the complex when the original space projection was prepared, but have since relocated to the complex.

D. Procedures used to ensure successful completion of the project and lessons learned for future expansions

17. A summary of the key lessons learned from the project, including procedures that ensured successful completion, is provided below.

18. Allowing sufficient time for project consultants and industry experts (architects, engineers and quantity surveyors) to prepare contract and construction documents and cost estimates is considered crucial to the project's success.

19. The hiring of a dedicated project management team is critical, and financial provision was made for this in the project budget. A dedicated and appropriately

experienced project management team should be recruited early in the planning phase of the project, and experience acquired with the Gigiri complex project suggests that indicative costs should be in the order of 10 per cent of total construction costs. This estimate will vary according to the size and complexity of the project. It is also important, however, to ensure that regular facilities staff, who will ultimately assume responsibility for the maintenance and management of the new construction after completion, remain closely involved with the project throughout the design and construction phases. A dedicated project management team should be in place until the end of the defect liability period and not only until the end of the construction period.

20. The establishment of an effective organizational and management structure, with guidance and support from Headquarters (Office of Central Support Services), facilitated the successful planning and execution of the project.

21. The establishment of a working group, involving all stakeholders at the local level (in this case, the United Nations Office at Nairobi, UNEP and UN-Habitat) and providing guidance to the Director-General of the Office in making decisions on the project, was also a key factor in the project's success. This contributed to establishing effective controls over the planning and execution of the project.

22. The budget should include a contingency amount of approximately 10 per cent of the total construction costs, once the project has reached the construction phase, so as to include aspects such as project construction works, standard contingencies and currency fluctuations.

23. The continuity of stakeholders and key staff from design to completed construction was a significant advantage and contributed to the success of the project.

24. The associated costs of interior fit-out, and the logistics involved in moving to the new building, including the coordination of information technology equipment and furniture, should be estimated and included in the budget, as this area involves significant management staffing and other activities that require resources.

25. Design objectives and functional requirements should be clearly defined from the outset of a project or at least during the design phase, given that changes made during the construction period pose a risk to the completion schedule and cost of the project.

26. Lastly, standard United Nations construction contracts should contain a mechanism for referencing local forms of contract, as appropriate.

27. Lessons learned from the project are being managed by the Office of Central Support Services, in its capacity as a central repository of lessons learned from all major capital construction projects undertaken by the Secretariat. The lessons learned are directly applied to similar capital projects under way, in particular in relation to the provision of technical guidance and support to those projects by the Office, and are more generally promulgated through the Inter-Agency Network of Facilities Managers.

III. Action to be taken by the General Assembly

28. **The General Assembly is requested to take note of the report.**

Annex I

Final cost plan for the construction of additional office facilities at the United Nations Office at Nairobi

(United States dollars)

	Expenditure as at 31 December 2010	*Expenditure 2011*	*Expenditure 2012*	*Total*
Income				
Balance brought forward	–	(1 006 596)	2 443 541	–
Rental income	18 511 468	4 331 897	5 552 192	28 395 557
Interest income	1 631 986	55 840	–	1 687 826
Total income	**20 143 454**	**3 381 141**	**7 995 733**	**30 083 383**
Disbursements				
Construction costs	17 888 037	680 287	1 701 676	20 270 000
Architects' fees	1 926 792	76 789	173 211	2 176 792
Previous architects' fees	476 792	–	–	476 792
New architects' fees	1 450 000	76 789	173 211	1 700 000
Project supervision and management	1 115 529	180 524	–	1 296 053
Project management costs	1 059 917	180 524	–	1 240 441
UNON travel	–	–	–	–
OCSS project management	55 612	–	–	55 612
Other costs	219 692	–	–	219 692
Borrowing costs (interest incurred on loan from UNEP)	163 045	–	–	163 045
Security requirements	56 647	–	–	56 647
Contingencies	–	–	–	–
Total disbursements	**21 150 050**	**937 600**	**1 874 887**	**23 962 537**
Income after disbursements	(1 006 596)	2 443 541	6 120 846	6 120 846

Abbreviations: OCSS, Office of Central Support Services; UNEP, United Nations Environment Programme; UNON, United Nations Office at Nairobi.

Note: The above table illustrates that the amount of income over and above the total requirements for the construction of the additional office facilities that will revert to income section 2 of the programme budget for the biennium 2012-2013, general income, is $6,120,846. A comparison of the total cost of the project against the approved budget is shown in table 1.

Annex II

Space analysis of planned versus actual use at the United Nations Office at Nairobi complex

	United Nations agencies, programmes and funds	*Included in the A/62/794 space forecast and moved to the Office complex in 2011*	*Included in the A/62/794 space forecast and did not move to the Office complex in 2011*	*New: not included in the A/62/794 space forecast but did move to the Office complex in 2011*
1	Food and Agriculture Organization of the United Nations Emergency Centre for Transboundary Animal Diseases	X		
2	Food and Agriculture Organization of the United Nations Subregional Office for Emergencies	X		
3	Food and Agriculture Organization of the United Nations, Kenya	X		
4	International Labour Organization, Kenya	X		
5	Office for the Coordination of Humanitarian Affairs, Integrated Regional Information Network	X		
6	Office for the Coordination of Humanitarian Affairs, Subregional Office	X		
7	United Nations Children's Fund, Somalia	X		
8	United Nations Political Office for Somalia	X		
1	Africa Adaptation Programme			X
2	Drylands Development Centre			X
3	International Fund for Agricultural Development			X
4	International Labour Organization, Somalia			X
5	Millennium Campaign, Africa Regional Office			X
6	Monitoring Group on Somalia and Eritrea			X
7	Office of the Ombudsman			X
8	United Nations Dispute Tribunal			X
9	United Nations Population Fund Somalia Office			X
10	United Nations Support Office for the African Union Mission in Somalia			X
11	World Food Programme Regional Bureau			X

	United Nations agencies, programmes and funds	*Included in the A/62/794 space forecast and moved to the Office complex in 2011*	*Included in the A/62/794 space forecast and did not move to the Office complex in 2011*	*New: not included in the A/62/794 space forecast but did move to the Office complex in 2011*
1	African Management Services Company Regional Office for East Africa		X	
2	Department of Economic and Social Affairs		X	
3	Office for the Coordination of Humanitarian Affairs Sudan Office		X	
4	United Nation High Commissioner for Refugees Kenya Branch Office, Regional Support Hub and Somalia Branch Office		X	
5	United Nations Development Programme Somalia Office		X	
6	World Food Programme Somalia Office		X	
7	World Health Organization Kenya Office, Somalia Office and Sudan Office		X	
8	World Meteorological Organization Subregional Office for Eastern and Southern Africa		X	